

Message Text

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12

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E.O. 11652: N/A

TAGS: EIND, ETRD, JA

SUBJECT: JAPANESE STEEL INDUSTRY

SUMMARY: DESPITE WORSENING COKING COAL SUPPLY SITUATION MITI INTENDS TO CONTINUE PUSHING STEEL INDUSTRY TO ACHIEVE ORIGINALLY ESTABLISHED FY 74 CRUDE STEEL PRODUCTION TARGET OF 120 MILLION MT AND WILL ANNOUNCE APPROVAL SEPT. 30 OF CONSTRUCTION OF THREE NEW BLAST FURNACES. MITI SUPPLY-DEMAND ESTIMATES FOR FY'S 1976, 1978, 1980, AND 1985 NOW COMPLETE. END SUMMARY.

1. IRON AND STEEL ADMINISTRATION SECTION, MITI, DENIED RECENT PRESS REPORTS THAT MITI HAS AGREED TO REDUCE BY 74 CRUDE STEEL PRODUCTION TARGET BY 10 MILLION MT AND TO PROVIDE GUIDELINES TO STEEL INDUSTRY TO REFRAIN FROM SPOT PURCHASES COKING COAL AT OVER \$80 PER MT. ACCORDING TO MITI OFFICIAL, MINISTRY INTENDS TO KEEP PRESSURE ON STEEL MANUFACTURERS TO MEET ORIGINAL 120 MILLION MT GOAL FOR FY74 AND QTE DOES NOT ENTIRELY AGREE UNQTE WITH OPINIONS OF SEVERAL INDUSTRY LEADERS THAT DECREASE IN PRODUCTION PREFERABLE TO CONTINUED FRANTIC COMPETITION FOR SCARCE SUPPLIES OF COKING COAL (EXPECTED TO BECOME EVEN TIGHTER IF U.S. MINERS STRIKE OCCURS), PRICE OF WHICH REACHED \$100 PER MT IN SOME RECENT SPOT TRANSACTIONS.

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2. CURRENT MITI CRUDE STEEL PRODUCTION FIGURES AND ESTIMATES FOR CY 1974 ARE:

1ST QUARTER	29 MILLION MT
2ND QUARTER	29.6 MILLION MT
3RD QUARTER	29.7 MILLION MT
4TH QUARTER	29.8 MILLION MT
TOTAL	118.1 MILLION MT

3. MITI OFFICIAL CONFIRMED THAT APPROVAL WILL BE ANNOUNCED SEPT. 30 FOR CONSTRUCTION OF THREE NEW BLAST FURNACES AND FOR FY74 CONSTRUCTION EXPENDITURES FOR THEM TOTALING 5,000 MILLION YEN (\$16-17 MILLION). MITI CONSIDERS FIGURES SMALL ENOUGH TO BE ACCOMMODATED WITHIN GOJ'S ANTI-INFLATIONARY GUIDELINES AND FEARS THAT INFLATIONARY STEEL SHORTAGE WILL DEVELOP BY 1976-77 IF CONSTRUCTION NEW FURNACES, WHICH REQUIRES ABOUT 2 YEARS TO COMPLETE, NOT BEGUN SOON. HOWEVER, MITI EXPECTS ANNOUNCEMENT TO BRING PRESSURES FROM OTHER INDUSTRIES ANXIOUS TO RESUME CAPITAL INVESTMENT AND ABLE TO OFFER SIMILAR JUSTIFICATIONS FOR CAPACITY EXPANSION. SUMITOMO METALS WILL RECEIVE PERMISSION TO BEGIN CONSTRUCTION BLAST FURNACE NO. 3 AT KASHIMA WORKS IN OCTOBER. CONSTRUCTION KAWASAKI STEEL'S FURANCE NO. 6 AT CHIBA PLANT AND KOBE STEEL'S FURANACE NO. 3 AT KAKOGAWA PLANT WILL BE APPROVED BEGINNING DEC. 1. MITI PREDICTS DELAYS FOR ALL THREE IN ORDER TO COMPLETE NEGOTIATIONS RE POLLUTION PROBLEMS WITH LOCAL GOVERNMENTS AND THUS DOUBTS THAT FULL AMOUNT OF FUNDS APPROVED FOR FY74 WILL BE PENT.

4. ACCOMPANYING SEPT 30 BLAST FURNACE CONSTRUCTION ANNOUNCEMENT MITI ALSO WILL RELEASE CRUDE STEEL DEMAND ESTIMATES 135 MILLION MT FOR FY1976 AND 151 MILLION MT FOR FY1978 TO JUSTIFY IMMEDIATE CONSTRUCTION OF NEW FURNACES EACH WITH CAPACITY 4 MILLION MT. (CURRENT PRODUCTION CAPACITY IS 125 MILLION MT PER YEAR.) REPORT RELEASED SEPT. 13, 1974, BY INDUSTRIAL STRUCTURE DELIBERATION COUNCIL, ADVISORY GROUP TO MITI, CONTAINS FOLLOWING LIMITED OFFICIAL USE

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LONG-TERM STEEL FORECASTS (UNIT MILLION MT):

	DEMAND	SUPPLY
DOMESTIC EXPORT		DOMESTIC IMPORTS
PRODUCTION		
1980	118.1	45.9
	162	2

1985 159.8 21.2-26.2 173-178 8

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